



# 中遠國際控股有限公司

## COSCO INTERNATIONAL HOLDINGS LIMITED

Press Release

【For Immediate Release】

### COSCO International Announces 2008 Interim Results

(SEHK Code: 00517)

#### Turnover Increases by 11% to HK\$1,260M Stable Growth Momentum from Shipping Services

##### Financial Summary

	2008	2007	% Change
For the six months ended 30 <sup>th</sup> June	HK\$ million	HK\$ million	
Turnover	1,260	1,139	+11
Gross profit	373	282	+32
Profit attributable to the equity holders	225	400	-44
Interim dividend per share (HK cent)	1	1	----

##### Results and Business Highlights

- Turnover increased by 11% to HK\$1,259,947,000.
- Profit attributable to the equity holders was HK\$225,204,000, posting a decrease of 44%. Excluding the share of profit of SOLHL of HK\$123,563,000, profit attributable to the equity holders was up 41% under the same basis.
- The Board resolved to pay an interim dividend of 1 HK cent per share.
- Strong growth of imports and exports trade in China has driven the robust development of the shipping and ship building industry. Turnover from the segment of shipping services recorded a steady increase of 15%.
- The resolution regarding the acquisition of the entire equity in COSCO International Trading Company Limited was approved by the independent shareholders on 5<sup>th</sup> September 2008. The Company will fully entitle to the 100% contribution from COSCO International Ship Trading Company Limited.

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## COSCO INTERNATIONAL HOLDINGS LIMITED

(12<sup>th</sup> September 2008, Hong Kong) COSCO International Holdings Limited (“COSCO International” or the “Company”) (stock code: 00517) and its subsidiaries (the “Group”) are pleased to announce its unaudited interim results for the six months ended 30<sup>th</sup> June 2008.

### **Solid Results**

For the six months ended 30<sup>th</sup> June 2008, the Group recorded a total turnover of HK\$1,259,947,000 (1H 2007: HK\$1,139,115,000), increased by 11% as compared to the same period of last year. Profit attributable to the equity holders was HK\$225,204,000 (1H 2007: HK\$400,297,000), down 44% as compared to the same period of last year. Excluding the share of profit of SOLHL of HK\$123,563,000 (1H 2007: HK\$328,066,000), profit attributable to the equity holders grew 41% to HK\$106,641,000 (1H 2007: HK\$ 72,231,000) under the same basis. Basic earnings per share was 15.23 HK cents (1H 2007: 27.54 HK cents), decreased by 45% as compared to the same period of last year.

### **Interim Dividend**

The board of directors of the Company resolved to pay an interim dividend of 1 HK cent per share (1H 2007: 1 HK cent per share) for the six months ended 30<sup>th</sup> June 2008.

### **Business Review**

Chairman of COSCO International, Mr. Zhang Fusheng, gave a remark on the interim results of the Group, said, “Despite the subprime crisis in the United States, the global inflation and the escalating oil prices which have caused adverse impacts on the global economy in the first half of 2008, China imports and exports trade increased by 25.7% as compared with the corresponding period of last year. The continued growth in both imports and exports trade has driven the development in the shipping, ship repairing and shipbuilding industries. During the period, driven by the continuous sale and purchase orders for new build vessels and second hand vessels, the demand for shipping services and related products increased. Among which commission from ship trading agency services, marine insurance brokerage services and sales of marine equipment had remarkable results, leading to a solid growth of the overall performance.”

Performance of the Group’s various key business units in the first half of 2008 are described below:

### **Shipping Services**

In the first half of 2008, the turnover of the Group in the shipping services recorded HK\$1,191,642,000 (1H 2007: HK\$1,033,334,000), representing an increase of 15% as compared to the corresponding period of last year. This accounted for 94.6% (1H 2007: 90.7%) of the total turnover of the Group. Segment results were HK\$131,516,000 (1H 2007: HK\$110,502,000), representing an increase of 19% as compared to the corresponding period of last year.

#### *(1) Ship Trading Agency Services*

COSCO International Ship Trading Company Limited (“COSCO Ship Trading”), a non



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wholly-owned subsidiary of the Company, provides exclusive agency services relating to shipbuilding, ship trading and chartering for fleet of COSCO Group, as well as relevant agency services for non-COSCO Group shipping companies. Despite the subprime crisis in the United States and tight control in banking facilities during the period, which caused the orders for building of new vessels worldwide to decrease in the first half of the year, COSCO Ship Trading was able to achieve good results with transactions for the sale and purchase of 55 vessels (1H 2007: 47 vessels), amounting to a total of 4,518,000 dead weight tonnages (1H 2007: 3,278,000 dead weight tonnages), representing an increase of 38% as compared to the corresponding period of last year. The good result would establish a solid foundation for the sustainable development of the Company. COSCO Ship Trading mainly derives its turnover from agency commissions and has secured its ship trading commission income for the year 2008 through the contracts concluded in the preceding years. Due to the delivery of numerous new vessels during the first half year of 2008, the turnover of COSCO Ship Trading increased significantly by 146% to HK\$62,922,000 (1H 2007: HK\$25,604,000) as compared to the corresponding period of last year.

On 22<sup>nd</sup> July 2008, the Company entered into a share transfer agreement with China Marine Bunker (Petro China) Co., Ltd. in relation to the acquisition of 100% interest in COSCO International Trading Company Limited (“COSCO International Trading”). Upon the completion of acquisition, COSCO Ship Trading will become a wholly-owned subsidiary of the Company and the Company will fully entitle to 100% contribution from COSCO Ship Trading.

### *(2) Marine Insurance Brokerage Service*

The Company’s wholly-owned subsidiary, COSCO (Hong Kong) Insurance Brokers Limited (“HK COSCO Insurance Brokers”), a marine insurance broker accredited by Lloyd’s, mainly operates intermediary businesses in respect of marine insurance and ship owners’ liabilities insurance. Besides, the Company’s non-wholly owned subsidiary Shenzhen COSCO Insurance Brokers Limited (“SZ COSCO Insurance Brokers”) mainly engaged in marine insurance brokerage business in China Mainland. During the period, the turnover of HK COSCO Insurance Brokers and SZ COSCO Insurance Brokers amounted to HK\$31,211,000 (1H 2007: HK\$24,305,000), representing an increase of 28% as compared to the corresponding period of last year. The business growth was mainly attributable to these two companies’ closely following the pace of fleet expansion by the COSCO Group and the continuous efforts in developing new business and customer base.

### *(3) Sales of Marine Equipment, Spare Parts and Communications and Navigation Equipment*

Yuantong Marine Service Co. Limited (“Yuantong”), a wholly owned subsidiary of the Company, is principally engaged in the sales and installation of marine equipment and spare parts for existing and new vessels, as well as oil drilling project offshore and onshore, communications systems, shore-based AIS systems, vessel traffic management systems and information management systems for land users. Yuantong benefitted from the rapid development of shipbuilding industry in recent years. It also actively explored the



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non-COSCO customers, broadened its product lines and put forward the strategy of VIP services. As a result, the performance of Yuantong during the period was impressive and it recorded a turnover of HK\$251,877,000 (1H 2007: HK\$165,134,000), representing a significant increase of 53% as compared to the corresponding period of last year. Yuantong will continue to seize the market opportunities especially the favourable circumstances arising from the delivery of numerous new vessels in coming years. Yuantong will continue to strengthen the relationship with ship owners and shipbuilders, explore the non-COSCO business so as to maintain its continued business growth.

#### *(4) Production and Sales of Coatings*

COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd, COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd and COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd (collectively called “COSCO Kansai Companies”), all being non wholly-owned subsidiaries of the Company, are mainly engaged in the production and sales of container coatings and industrial heavy-duty anti-corrosion coatings. The Company’s 50/50 joint venture (the other 50% interests was held by the Norwegian international coatings manufacturer Jotun A/S), Jotun COSCO Marine Coatings (HK) Limited (“Jotun COSCO HK”) is mainly responsible for the production and sales of marine coatings. During the period, the production and sales of coatings recorded a turnover of HK\$845,632,000 (1H 2007: HK\$818,291,000) representing an increase of 3% as compared to the corresponding period of last year.

During the period, the total sales volume for container coatings of COSCO Kansai Companies reached 34,879 tonnes (1H 2007: 36,514 tonnes), slightly dropped 4% when compared to the corresponding period of last year. Due to the slow down of global economic growth together with the accelerated appreciation of Renminbi, rise in steel prices which drove up the production cost of containers, container owners hold a “wait-and-see” attitude for placing orders which led to an overall decrease in the orders for container coatings in the first half year of 2008. Facing fierce market competition, COSCO Kansai Companies secured its sales by continuously improving the product formulation to lower the cost, putting great effort on developing new products to fulfill the market and customer needs and maintaining good relationship with the existing key container owners and container manufacturers and successfully exploring new customers. The total annual production capacity of the three plants of COSCO Kansai Companies located in Zhuhai, Shanghai and Tianjin has been expanded to 100,000 tonnes. The plants are located in the three regions with the highest economic potential in China, namely the Pearl River Delta, the Yangtze River Delta and the Pan-Bohai Rim Area which will facilitate provision of speedy and efficient services to customers.

Jotun COSCO HK is engaged principally in the production and sales of marine coatings in China (including Hong Kong and Macau Special Administrative Region). Benefitted from the robust development of China shipbuilding and ship repairing industries in recent years, the marine coatings market in the first half of the year followed the thriving trend in the previous year. During the period, the marine coatings sales volume for Jotun COSCO HK amounted to 20,380,000 litres (equivalent to 29,551 tonnes) (1H 2007: 13,031,000 litres



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(equivalent to 18,895 tonnes)), representing a substantial increase of approximately 56% as compared to the corresponding period of last year. It is expected that the development of shipbuilding industry will lead to a continued growth in the demand for marine coatings. Jotun COSCO HK will actively put forward the strategy of key customers, which focuses on important customers, important market and important products and accelerates the pace of market development in order to enhance its profitability.

During the period, COSCO Kansai Companies recorded sales volume in industrial heavy-duty anti-corrosion coatings of 5,175 tonnes (1H 2007: 4,650 tonnes), representing an increase of 11% as compared to the corresponding period of last year, as a result of the increasing demand for industrial heavy-duty anti-corrosion coatings due to the construction, transportation, infrastructure and energy sectors together with the effort in developing the market by COSCO Kansai Companies. COSCO Kansai Companies will also seek business opportunities arising from the demand for the ancillary works in relation to industrial heavy-duty anti-corrosion coatings driven by the coming Shanghai World Expo 2010.

### **Property Development and Property Investment**

In the first half of 2008, the turnover of property development and property investment was HK\$68,305,000 (1H 2007: HK\$105,781,000), representing a decrease of 35% as compared to the corresponding period of last year and accounting for 5.4% (1H 2007: 9.3%) of the total turnover of the Group. Segment results recorded a profit of HK\$34,807,000 (1H 2007: loss of HK\$5,991,000), mainly attributable to the disposal of retail shops and parking spaces of Shanghai Fragrant Garden during the period. As of 30th June 2008, 26 parking spaces remained unsold. As the project is close to the final stage, Shanghai COSCO Honour Property Development Limited has commenced voluntary liquidation.

### **Investment in Sino-Ocean Land Holdings Limited (“SOLHL”)**

The Company holds 20.73% interest in SOLHL, which holds 100% interest in Sino-Ocean Land Limited (“SOLL”). SOLL is a well known property developer in China and it develops medium- to high-end residential properties and premium grade office buildings, retail properties, services apartments and hotels. SOLL explores property development markets in the Pearl River Delta, the Yangtze River Delta and the Pan-Bohai Rim Area. During the period, the Group’s share of profit from SOLHL amounted to HK\$123,563,000 (1H 2007: HK\$328,066,000).

### **Outlook**

Despite the slowing down in the growth of global economy caused by the subprime crisis of the United States, the Group, relying on the rapid development of shipping industry in recent years and the tremendous executed new build orders of ship building worldwide, has achieved a sustainable growth in its core businesses, shipping services. To cope with the unstable environment and forthcoming challenges, the Group will seek the market opportunities, consolidate the existing markets and customer base, focus on technical development of products, explore new markets, new products and new customers, continuously search for new profit growth drivers and expand market share. Furthermore,



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the Group will continue to seek profitable projects within COSCO Group and out of COSCO Group, so as to expand the existing supply platform of shipping services and increase its profitability, which are all vital to enhance market competitiveness of the Group as a whole.

In addition, the Group entered into an agreement in relation to the acquisition of the entire equity interest of COSCO International Trading on 22<sup>nd</sup> July 2008 and the resolutions regarding the acquisition were approved by the independent shareholders of the Company on 5<sup>th</sup> September 2008. The Company will be more effective in generating synergies between its existing shipping services operation arms as well as the newly acquired company, while at the same time the strategic positioning of the Company as a shipping services provider can be further consolidated.

\*\*\*\*\* End \*\*\*\*\*

### **Company Background**

COSCO International Holdings Limited (Stock Code: 00517) has been listed on the main board of the SEHK since February, 1992. In recent years, COSCO International focused on its strategic business position on the development of the shipping services business. It aims to become a specialised, unique and leading shipping services provider. Its core businesses are shipping services, including ship trading agency, marine insurance brokerage, marine equipment, spare parts and communications and navigation equipment and production and sales of coatings products, other operation include property investment, etc.

### **Relationship with Parent Company**

COSCO International is a listed company owned by COSCO (Hong Kong) Group Limited, which is a wholly-owned subsidiary of China Ocean Shipping (Group) Company (“COSCO”). COSCO is one of the most recognised multinational conglomerates in the world, which focuses mainly on shipping and logistics businesses as well as other shipping related businesses. COSCO Hong Kong is an important overseas regional headquarters and conglomerate of COSCO Group, operating and managing a few hundred subsidiaries in Hong Kong and Macau. The main business aspects of COSCO Hong Kong include shipping services, information technology, property development, property management, etc.

### **Editorial Note**

Full text of the 2008 interim results announcement is available on the website of the SEHK ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company’s website ([www.coscointl.com](http://www.coscointl.com)). Webcast of the 2008 interim results press conference of COSCO International will also be available at our website since 13<sup>th</sup> September 2008.

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